Supreme Court, U.S.
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No. 97-1380

IN THE

Supreme Court of the United States

OCTOBER TERM, 1997

ELI LILLY AND COMPANY,

Cross-Petitioner,

v.

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

Cross-Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

CONDITIONAL CROSS-PETITIONER'S REPLY TO BRIEF IN OPPOSITION

Of Counsel:
AMY E. HAMILTON
ELI LILLY AND COMPANY
Lilly Corporate Center
Indianapolis, IN 56285
(317) 276-3169

DONALD R. DUNNER
Counsel of Record
CHARLES E. LIPSEY
HOWARD W. LEVINE
JOHN R. ALISON
FINNEGAN, HENDERSON
FARABOW, GARRETT &
DUNNER, L.L.P.
1300 I Street, NW
Washington, DC 20005
(202) 408-4000

Counsel for Cross-Petitioner
Eli Lilly and Company

PRESS OF BYRON S. ADAMS ✦ WASHINGTON, D.C. ✦ 1-800-347-8208

PARTIES TO THE PROCEEDING BELOW

The parties are Petitioner, Eli Lilly and Company, and Respondent, the Regents of the University of California. Eli Lilly and Company possesses neither a parent company nor any non-wholly owned subsidiaries.

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I. INTRODUCTION

Rather than challenging the merits of Lilly's conditional cross-petition for certiorari in a meaningful way, UC has instead argued that Lilly has not suffered any cognizable injury from the Federal Circuit's decision and thus lacks standing to petition this Court. UC's contention, however, is at odds with well established precedent of both this Court and the Federal Circuit and serves to highlight the frailty of UC's position on the merits.

II. THE COURT SHOULD GRANT LILLY'S CONDITIONAL CROSS-PETITION FOR CERTIORARI

A. UC Ignores the Factual Findings of the Trial Court and the Evidentiary Record

As it did before the trial court, UC asserts in its brief in opposition to Lilly's cross-petition for certiorari that NIH's apology to UC for its "misguided" investigation into UC's use of the pBR322 plasmid in the late 1970's somehow supports UC's position that it did nothing wrong. (UC Opp. Br. at 2.) However, the evidence establishing the extent of UC's violation of the NIH guidelines and continued use of the DNA obtained from the pBR322 experiments was first unearthed during discovery in this litigation—more than ten years after the NIH investigation. Thus, the fact that the NIH apologized to UC is completely meaningless where the apology was based on factual representations made by UC at the time, representations which the district court has now found by clear and convincing evidence were knowingly false.

In addition, UC attempts to buttress its position by stating that the witnesses with personal knowledge, all coinventors on the inequitably procured patent, testified that

the data in the '525 patent could not have been derived from the pBR322 experiments. Yet, the district court, which had the opportunity to evaluate the witnesses during a two week trial, found that the mass of documentary evidence unearthed by Lilly during discovery contradicted the obviously biased testimony of these witnesses and specifically found that the testimony of Goodman and Rutter, the two principal inventors named on the '525 patent, was not credible. (Lilly Cross-Pet. App. at 70.)[1] Furthermore, UC's attempt in this Court to challenge the factual findings made by the district court—not disturbed by the Federal Circuit—are misplaced and should have no impact on this Court's decision whether to grant Lilly's cross-petition for certiorari. *See Graver Tank & Mfg. Co., v. Linde Air Prod. Co.*, 336 U.S. 271, 275 (1949)(stating that "[a] court of law, such as this Court is, rather than a court for correction of errors in fact finding, cannot undertake to review concurrent findings of fact by two courts below in the absence of a very obvious and exceptional showing of error"); *Goodman v. Lukens Steel Co.*, 482 U.S. 656, 665 (1987).

B. Lilly Was Injured by the Federal Circuit's Reversal of the District Court's Finding that the '525 Patent Was Unenforceable

Pursuant to this Court's jurisprudence, a party possesses standing if (1) it has suffered an injury in fact which is actual or imminent—not conjectural or hypothetical, (2) there is a causal connection between the injury and the conduct complained of, and (3) the injury will be redressed by

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[1] In this regard, the trial court thought it important to note that "by agreement with UC the inventors are entitled to 50 percent of the net profits derived from any royalties or fees received from patent rights." *Id.* at 77 n. 56.

a favorable decision. *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560-61 (1992). UC argues that Lilly lacks standing to seek certiorari because it did not suffer any cognizable injury from the Federal Circuit's decision. (UC Cross-Opp. Br. at 3.) Lilly, however, has been substantially injured by the part of the Federal Circuit's decision reversing the district court's determination that the '525 patent was obtained through inequitable conduct because this determination decreases the likelihood that Lilly will be able to recover its attorney fees.[2]

Congress has provided in 35 U.S.C. § 285 that a district court "in exceptional cases may award reasonable attorney fees to the prevailing party." *Standard Oil Co. v. American Cyanamid Co.*, 774 F.2d 448, 455 (Fed. Cir. 1985). Indeed, the "only deterrent to the . . . improper bringing of clearly unwarranted suits on obviously invalid or unenforceable patents is Section 285." *Mathis v. Spears*, 857 F.2d 749, 754 (Fed. Cir. 1988). Although not a prerequisite,"a finding of inequitable conduct or 'fraud in the Patent and Trademark Office' is often a basis for a district court to find that a case is 'exceptional.'" *Standard Oil*, 774 F.2d at 455; *Beckman Instruments, Inc. v. LKB Produkter AB*, 892 F.2d 1547, 1551 (Fed. Cir. 1989)(holding that inequitable conduct before the Patent and Trademark Office can form the basis for finding a case exceptional). In this regard, the Federal Circuit has affirmed a district court's award of attorney fees based on patents obtained through inequitable conduct. *See e.g., Fox Indus., Inc. v. Structural Preservation*

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[2] As noted by UC in its petition for certiorari, Lilly filed a motion for attorney fees in the amount of eighteen million dollars before the district court. These expenses were incurred as the direct result of UC's assertion of two patents which the district court found to be procured through inequitable conduct.

Sys., Inc., 922 F.2d 801, 804 (Fed. Cir. 1991)(affirming district court's award of attorney fees based on inequitable conduct); *Mathis*, 857 F.2d at 751-52; *Merck & Co. v. Danbury Pharmacal, Inc.*, 873 F.2d 1418, 1420 n.2 (Fed. Cir. 1989).[3]

In view of this body of case law, it cannot rationally be denied that it would be easier for Lilly to recover its attorney fees in a case where there has been inequitable patent procurement (in addition to whatever litigation misconduct may have also occurred) than it would be in the absence of such inequitable conduct. Thus, the Federal Circuit's reversal will make it more difficult for Lilly to collect its attorney fees in the instant litigation. UC itself has provided direct proof of this injury. After the Federal Circuit reversed the inequitable conduct portions of the district court's decision, UC's trial counsel filed a paper with the district court, attached as Appendix A, which suggested that Lilly would withdraw its motion for attorney fees in view of the reversal. (App. A. at 2.)

In view of the foregoing, Lilly has standing to seek certiorari on this issue because (1) it has been injured (it now being more difficult to collect its attorney fees), (2) the

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[3] *Reactive Metals and Alloys Corp v. ESM, Inc.*, 769 F.2d 1578, 1582 (Fed. Cir. 1985), relied on by UC, specifically stated that a case may be considered "exceptional" due to "*inter alia*, inequitable conduct during prosecution of the patent or misconduct during litigation." Moreover, in *Orthopedic Equip. Co. v. All Orthopedic Appliances, Inc.*, 707 F.2d 1376, 1384 (Fed. Cir. 1983), also relied on by UC, the Federal Circuit merely stated that it was possible for a case to be "exceptional" without a finding of inequitable conduct. It did not state that a finding of inequitable conduct does not impact an attorney fees analysis.

Federal Circuit's decision is the cause of that injury, and (3) a reversal of that part of the Federal Circuit's decision by this Court would redress that injury.

C. Lilly's Petition Raises Questions of Vital Importance to the Nation

In its brief in opposition, UC characterizes Lilly's cross-petition as an invitation for the Court to intervene in policy decisions relating to the government's funding of genetic engineering. (UC Cross-Opp. Br. at 4.) Lilly's cross-petition, however, raises a far different question. Lilly's cross-petition asks this Court to grant certiorari to review whether the doctrine of unclean hands should prevent enforcement by the *courts* of a patent where the very act of invention was tainted with inequity. In the instant case, UC utilized a plasmid in violation of the NIH's guidelines governing the safety of recombinant DNA experiments and misrepresented the true origins of the DNA set forth in the '525 patent to the United States Senate, the NIH, the United States Patent and Trademark Office, and the public in order to conceal this violation. Such misrepresentations should "close[] the doors of a court of equity" and preclude enforcement of UC's '525 patent. *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 814-15 (1945).

Furthermore, UC's contention that Lilly should address its argument to the political branches of government and not the courts make little sense. It is through the judicial branch that UC sought to enforce against Lilly the fruits of its illicit conduct, and it is, therefore, the judicial branch which is the proper forum to address Lilly's concerns. Moreover, the NIH *already had* regulations governing the safety of

recombinant DNA research in 1977, regulations which were *not* followed by UC. As society continues to develop new technologies where the potential safety hazards cannot be fully quantified, it is a profoundly dangerous and unwise public policy to *require* the courts to enforce patents that were obtained in willful violation of the very regulations designed to protect the safety of the public.

CONCLUSION

For the foregoing reasons, Lilly respectfully requests that this Court grant Lilly's conditional cross-petition for certiorari.

Respectfully submitted,

Donald R. Dunner
Counsel of Record
Charles E. Lipsey
Howard W. Levine
John R. Alison
FINNEGAN, HENDERSON, FARABOW, GARRETT & DUNNER, L.L.P.
1300 I Street, N.W.
Washington, D.C. 20005-3315
(202) 408-4000

Counsel for Cross-Petitioner Eli Lilly and Company

Of Counsel:
Amy E. Hamilton
ELI LILLY AND COMPANY
Lilly Corporate Center
Indianapolis, Indiana 46285
(317) 276-3169

APPENDIX

App. A

UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

IN RE RECOMBINANT DNA TECHNOLOGY PATENT AND CONTRACT LITIGATION	)	MDL Docket No. 912
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA,	)	
Plaintiff,	)	Civil Action No. IP-92-224-C D/G
v.	)	
ELI LILLY AND COMPANY,	)	
Defendant.	)	

On January 18, 1996, plaintiff, the Regents of the University of California ("UC") moved to defer consideration of Eli Lilly and Company's ("Lilly") request for attorney fees and (bill of costs) pending UC's appeal to the Federal Circuit. On July 22, 1997 the Federal Circuit issued its decision. The decision reversed this Court's findings of inequitable conduct with regard to both patents-in-suit and affirmed this Court's findings of non-infringement and invalidity.

UC is presently preparing and will be filing a petition for a writ of certiorari to the United States Supreme Court to review the Federal Circuit's decision. Since appellate review is yet to be concluded, Lilly's request for costs should continue to be deferred as requested in UC's motion pending completion of the appellate

process. (It is expected Lilly will withdraw its request for attorney fees since the Federal Circuit has reversed both findings of inequitable conduct upon which Lilly's motion is based).

Date: November 21, 1997 /s/Arthur I. Neustad

Arthur I. Neustadt
Jean-Paul Lavalleye
Marc R. Labgold
William J. Healey
OBLON, SPIVAK, McCLELLAND,
MAIER & NEUSTADT, P.C.
1755 Jefferson Davis Highway
Arlington, Virginia 22202
(703) 413-3000

Attorneys for Plaintiff

Susan B. Tabler
ICE, MILLER, DONADIO & RYAN
One American Square, Box 82001
Indianapolis, IN 46282
(317) 236-2301

James E. Holst
John Lundberg
THE UNIVERSITY OF CALIFORNIA
300 Lakeside Drive
Oakland, CA 94612
(415) 987-9000

P. Martin Simpson
Office of Technology Transfer
THE UNIVERSITY OF CALIFORNIA
1320 Harbor Bay Parkway, Suite 150
Alameda, CA 94501
(510) 748-6600